

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1108

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

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## IN THE SENATE OF THE UNITED STATES

AUGUST 2 (legislative day, JULY 10), 1995

Mr. SMITH introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Taxpayer Debt Buy-  
5       Down Act”.

1 **SEC. 2. DESIGNATION OF AMOUNTS FOR REDUCTION OF**  
 2 **PUBLIC DEBT.**

3 (a) IN GENERAL.—Subchapter A of chapter 61 of the  
 4 Internal Revenue Code of 1986 (relating to returns and  
 5 records) is amended by adding at the end the following  
 6 new part:

7 **“PART IX—DESIGNATION FOR REDUCTION OF**  
 8 **PUBLIC DEBT**

“Sec. 6097. Designation.

9 **“SEC. 6097. DESIGNATION.**

10 “(a) IN GENERAL.—Every individual with adjusted  
 11 income tax liability for any taxable year may designate  
 12 that a portion of such liability (not to exceed 10 percent  
 13 thereof) shall be used to reduce the public debt.

14 “(b) MANNER AND TIME OF DESIGNATION.—A des-  
 15 ignation under subsection (a) may be made with respect  
 16 to any taxable year only at the time of filing the return  
 17 of tax imposed by chapter 1 for the taxable year. The des-  
 18 ignation shall be made on the first page of the return or  
 19 on the page bearing the taxpayer’s signature.

20 “(c) ADJUSTED INCOME TAX LIABILITY.—For pur-  
 21 poses of this section, the term ‘adjusted income tax liabil-  
 22 ity’ means income tax liability (as defined in section  
 23 6096(b)) reduced by any amount designated under section  
 24 6096 (relating to designation of income tax payments to  
 25 Presidential Election Campaign Fund).”

1 (b) CLERICAL AMENDMENT.—The table of parts for  
 2 such subchapter A is amended by adding at the end the  
 3 following new item:

“Part IX. Designation for reduction of public debt.”

4 (c) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to taxable years ending after the  
 6 date of the enactment of this Act.

7 **SEC. 3. PUBLIC DEBT REDUCTION TRUST FUND.**

8 (a) IN GENERAL.—Subchapter A of chapter 98 of the  
 9 Internal Revenue Code of 1986 (relating to trust fund  
 10 code) is amended by adding at the end the following new  
 11 section:

12 **“SEC. 9512. PUBLIC DEBT REDUCTION TRUST FUND.**

13 “(a) CREATION OF TRUST FUND.—There is estab-  
 14 lished in the Treasury of the United States a trust fund  
 15 to be known as the ‘Public Debt Reduction Trust Fund’,  
 16 consisting of any amount appropriated or credited to the  
 17 Trust Fund as provided in this section or section 9602(b).

18 “(b) TRANSFERS TO TRUST FUND.—There are here-  
 19 by appropriated to the Public Debt Reduction Trust Fund  
 20 amounts equivalent to the amounts designated under sec-  
 21 tion 6097 (relating to designation for public debt reduc-  
 22 tion).

23 “(c) EXPENDITURES.—Amounts in the Public Debt  
 24 Reduction Trust Fund shall be used by the Secretary of  
 25 the Treasury for purposes of paying at maturity, or to

1 redeem or buy before maturity, any obligation of the Fed-  
 2 eral Government included in the public debt (other than  
 3 an obligation held by the Federal Old-Age and Survivors  
 4 Insurance Trust Fund, the Civil Service Retirement and  
 5 Disability Fund, or the Department of Defense Military  
 6 Retirement Fund). Any obligation which is paid, re-  
 7 deemed, or bought with amounts from the Public Debt Re-  
 8 duction Trust Fund shall be canceled and retired and may  
 9 not be reissued.”

10 (b) CLERICAL AMENDMENT.—The table of sections  
 11 for such subchapter is amended by adding at the end the  
 12 following new item:

“Sec. 9512. Public Debt Reduction Trust Fund.”

13 (c) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to amounts received after the date  
 15 of the enactment of this Act.

16 **SEC. 4. TAXPAYER-GENERATED SEQUESTRATION OF FED-**  
 17 **ERAL SPENDING TO REDUCE THE PUBLIC**  
 18 **DEBT.**

19 (a) SEQUESTRATION TO REDUCE THE PUBLIC  
 20 DEBT.—Part C of the Balanced Budget and Emergency  
 21 Deficit Control Act of 1985 is amended by adding after  
 22 section 253 the following new section:

1 **“SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC**  
2 **DEBT.**

3       “(a) SEQUESTRATION.—Notwithstanding sections  
4 255 and 256, within 15 days after Congress adjourns to  
5 end a session, and on the same day as a sequestration  
6 (if any) under sections 251, 252, and 253, but after any  
7 sequestration of budget-year budgetary resources required  
8 by those sections, there shall be a sequestration equivalent  
9 to the estimated aggregate amount designated under sec-  
10 tion 6097 of the Internal Revenue Code of 1986 for the  
11 calendar year two years before the year in which that ses-  
12 sion of Congress started, as estimated by the Department  
13 of the Treasury on October 1 in the year after the applica-  
14 ble tax year and as modified by the total of (1) any  
15 amounts by which net discretionary spending is reduced  
16 by legislation below the discretionary spending limits en-  
17 acted after the enactment of this section related to the  
18 fiscal year subject to the sequestration or, in the absence  
19 of such limits, any net reduction below discretionary out-  
20 lays for fiscal year 1995 and (2) the net deficit change  
21 that has resulted from all direct spending legislation en-  
22 acted after the enactment of this section related to the  
23 fiscal year subject to the sequestration, as estimated by  
24 OMB. Within 5 days after the enactment of any such di-  
25 rect spending legislation, OMB shall estimate the change  
26 in spending resulting from that legislation for the 5-fiscal-

1 year period beginning with the first fiscal year for which  
2 that legislation becomes effective and transmit a report  
3 to the House of Representatives and the Senate containing  
4 that estimate. Only the estimated deficit reduction in-  
5 cluded in the 5-year estimate made at the time the legisla-  
6 tion is enacted shall be used for purposes of determining  
7 whether there shall be a sequestration under this sub-  
8 section. Notwithstanding the preceding two sentences, any  
9 estimates of direct spending made by OMB under this  
10 subsection for any legislation that first takes effect in fis-  
11 cal year 1995, 1996, or 1997 shall include estimates of  
12 the direct spending effects through fiscal year 2002 and  
13 those estimates shall be used for purposes of determining  
14 whether there shall be a sequestration under this sub-  
15 section. If the reduction in spending under paragraphs (1)  
16 and (2) for a fiscal year is greater than the estimated ag-  
17 gregate amount designated under section 6097 of the In-  
18 ternal Revenue Code of 1986 respecting that fiscal year,  
19 then there shall be no sequestration under this section.

20 “(b) APPLICABILITY.—

21 “(1) IN GENERAL.—Except as provided by  
22 paragraph (2), each account of the United States  
23 shall be reduced by a dollar amount calculated by  
24 multiplying the level of budgetary resources in that  
25 account at that time by the uniform percentage nec-

1        essary to carry out subsection (a). All obligational  
 2        authority reduced under this section shall be done in  
 3        a manner that makes such reductions permanent.

4            “(2) EXEMPT ACCOUNTS.—(A) No order issued  
 5        under this part may—

6            “(i) reduce benefits payable to the old-age  
 7        and survivors insurance program established  
 8        under title II of the Social Security Act;

9            “(ii) reduce payments for net interest (all  
 10       of major functional category 900); or

11          “(iii) make any reduction in the following  
 12       accounts:

13            “Federal Deposit Insurance Corpora-  
 14       tion, Bank Insurance Fund;

15            “Federal Deposit Insurance Corpora-  
 16       tion, FSLIC Resolution Fund;

17            “Federal Deposit Insurance Corpora-  
 18       tion, Savings Association Insurance Fund;

19            “National Credit Union Administra-  
 20       tion, credit union share insurance fund; or

21            “Resolution Trust Corporation.

22          “(B) The following budget accounts, activities  
 23       within accounts, or income shall be exempt from se-  
 24       questration—

1           “(i) all payments to trust funds from ex-  
2           cise taxes or other receipts or collections prop-  
3           erly creditable to those trust funds;

4           “(ii) offsetting receipts and collections;

5           “(iii) all payments from one Federal direct  
6           spending budget account to another Federal  
7           budget account; all intragovernmental funds in-  
8           cluding those from which funding is derived pri-  
9           marily from other Government accounts, except  
10          to the extent that such funds are augmented by  
11          direct appropriations for the fiscal year for  
12          which the order is in effect; and those obliga-  
13          tions of discretionary accounts or activities that  
14          are financed by intragovernmental payments  
15          from another discretionary account or activity;

16          “(iv) expenses to the extent they result  
17          from private donations, bequests, or voluntary  
18          contributions to the Government;

19          “(v) nonbudgetary activities, including but  
20          not limited to—

21                  “(I) credit liquidating and financing  
22                  accounts;

23                  “(II) the Pension Benefit Guarantee  
24                  Corporation Trust Funds;

25                  “(III) the Thrift Savings Fund;



1 “(IV) the Federal Reserve System;  
2 and

3 “(V) appropriations for the District of  
4 Columbia to the extent they are appropria-  
5 tions of locally raised funds;

6 “(vi) payments resulting from Government  
7 insurance, Government guarantees, or any other  
8 form of contingent liability, to the extent those  
9 payments result from contractual or other le-  
10 gally binding commitments of the Government  
11 at the time of any sequestration;

12 “(vii) the following accounts, which largely  
13 fulfill requirements of the Constitution or other-  
14 wise make payments to which the Government  
15 is committed—

16 “Administration of Territories, North-  
17 ern Mariana Islands Covenant grants (14-  
18 0412-0-1-806);

19 “Bureau of Indian Affairs, miscellane-  
20 ous payments to Indians (14-2303-0-1-  
21 452);

22 “Bureau of Indian Affairs, miscellane-  
23 ous trust funds, tribal trust funds (14-  
24 9973-0-7-999);

25 “Claims, defense;

1 “Claims, judgments, and relief act  
2 (20-1895-0-1-806);

3 “Compact of Free Association, eco-  
4 nomic assistance pursuant to Public Law  
5 99-658 (14-0415-0-1-806);

6 “Compensation of the President (11-  
7 0001-0-1-802);

8 “Customs Service, miscellaneous per-  
9 manent appropriations (20-9992-0-2-  
10 852);

11 “Eastern Indian land claims settle-  
12 ment fund (14-2202-0-1-806);

13 “Farm Credit System Financial As-  
14 sistance Corporation, interest payments  
15 (20-1850-0-1-351);

16 “Internal Revenue collections of Puer-  
17 to Rico (20-5737-0-2-852);

18 “Panama Canal Commission, operat-  
19 ing expenses and capital outlay (95-5190-  
20 0-2-403);

21 “Payments of Vietnam and USS  
22 Pueblo prisoner-of-war claims (15-0104-  
23 0-1-153);

24 “Payments to copyright owners (03-  
25 5175-0-2-376);

1           “Payments to the United States terri-  
2           tories, fiscal assistance (14-0418-0-1-  
3           801);

4           “Salaries of Article III judges;

5           “Soldier’s and Airmen’s Home, pay-  
6           ment of claims (84-8930-0-7-705);

7           “Washington Metropolitan Area Tran-  
8           sit Authority, interest payments (46-  
9           0300-0-1-401).

10          “(viii) the following noncredit special, re-  
11          volving, or trust-revolving funds—

12           “Coinage profit fund (20-5811-0-2-  
13           803);

14           “Exchange Stabilization Fund (20-  
15           4444-0-3-155);

16           “Foreign Military Sales trust fund  
17           (11-82232-0-7-155); and

18           “(ix)(I) any amount paid as regular unem-  
19           ployment compensation by a State from its ac-  
20           count in the Unemployment Trust Fund (estab-  
21           lished by section 904(a) of the Social Security  
22           Act);

23           “(II) any advance made to a State from  
24           the Federal unemployment account (established  
25           by section 904(g) of such Act) under title XII

1 of such Act and any advance appropriated to  
2 the Federal unemployment account pursuant to  
3 section 1203 of such Act; and

4 “(III) any payment made from the Federal  
5 Employees Compensation Account (as estab-  
6 lished under section 909 of such Act) for the  
7 purpose of carrying out chapter 85 of title 5,  
8 United States Code, and funds appropriated or  
9 transferred to or otherwise deposited in such  
10 Account.

11 “(3) FEDERAL ADMINISTRATIVE EXPENSES.—

12 “(A) Administrative expenses incurred by  
13 the departments and agencies, including inde-  
14 pendent agencies, of the Federal Government in  
15 connection with any program, project, activity,  
16 or account shall be subject to reduction pursu-  
17 ant to any sequestration order, without regard  
18 to the exemptions under paragraph (2) and re-  
19 gardless of whether the program, project, activ-  
20 ity, or account is self-supporting and does not  
21 receive appropriations.

22 “(B) Payments made by the Federal Gov-  
23 ernment to reimburse or match administrative  
24 costs incurred by a State or political subdivision  
25 under or in connection with any program,

1 project, activity, or account shall not be consid-  
2 ered administrative expenses of the Federal  
3 Government for purposes of this section, and  
4 shall be subject to sequestration to the extent  
5 (and only to the extent) that other payments  
6 made by the Federal Government under or in  
7 connection with that program, project, activity,  
8 or account are subject to that reduction or se-  
9 questration; except that Federal payments  
10 made to a State as reimbursement of adminis-  
11 trative costs incurred by that State under or in  
12 connection with the unemployment compensa-  
13 tion programs specified in paragraph (2)(ix)  
14 shall be subject to reduction or sequestration  
15 under this part notwithstanding the exemption  
16 otherwise granted to such programs under that  
17 paragraph.”.

18 (b) REPORTS.—Section 254 of the Balanced Budget  
19 and Emergency Deficit Control Act of 1985 is amended—

20 (1) in subsection (a), by inserting after the item  
21 relating to the GAO compliance report the following:

22 “October 1 . . . Department of Treasury report to  
23 Congress estimating amount of income tax designated  
24 pursuant to section 6097 of the Internal Revenue Code  
25 of 1986.”;

1           (2) in subsection (d)(1), by inserting “, and se-  
2       questration to reduce the public debt,”;

3           (3) in subsection (d), by redesignating para-  
4       graph (5) as paragraph (6) and by inserting after  
5       paragraph (4) the following new paragraph:

6           “(5) SEQUESTRATION TO REDUCE THE PUBLIC  
7       DEBT REPORTS.—The preview reports shall set forth  
8       for the budget year estimates for each of the  
9       following:

10           “(A) The aggregate amount designated  
11           under section 6097 of the Internal Revenue  
12           Code of 1986 for the calendar year two years  
13           before the year in which the budget year begins.

14           “(B) The amount of reductions required  
15           under section 253A and the deficit remaining  
16           after those reductions have been made.

17           “(C) The sequestration percentage nec-  
18           essary to achieve the required reduction in ac-  
19           counts under section 253A(b).”; and

20           (4) in subsection (g), by redesignating para-  
21       graphs (4) and (5) as paragraphs (5) and (6), re-  
22       spectively, and by inserting after paragraph (3) the  
23       following new paragraph:

24           “(4) SEQUESTRATION TO REDUCE THE PUBLIC  
25       DEBT REPORTS.—The final reports shall contain all

1 of the information contained in the public debt tax-  
2 ation designation report required on October 1.”

3 (c) EFFECTIVE DATE.—Notwithstanding section  
4 275(b) of the Balanced Budget and Emergency Deficit  
5 Control Act of 1985, the expiration date set forth in that  
6 section shall not apply to the amendments made by this  
7 section. The amendments made by this section shall cease  
8 to have any effect after the first fiscal year during which  
9 there is no public debt.

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